GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:375
ANSWERED ON:08.08.2002
INVESTMENT OF FOREIGN COMPANIES IN POWER SECTOR
RAVINDRA KUMAR PANDEY

Will the Minister of POWER be pleased to state:

(a) the number of domestic/foreign companies which have applied for investment in power sector till date;

(b) the number of such companies given approval for investment;

(c) whether offer of investment of some companies has been rejected;

(d) if so, the details thereof and the reasons therefor; and

(e) the steps taken by the Government to enhance the private investment in power sector?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 375 TO BE ANSWERED IN TH LOK SABHA ON 08.08.2002 REGARDING INVESTMENT OF FOREIGN COMPANIES IN POWER SECTOR.

(a) : So far, proposals for investment in a total of 82 private sector power project schemes have been received by the Central Electricity Authority (CEA) foraccord of techno-economic clearance (TEC). These include both domestic as wellas foreign companies.

(b) : Till date, a total of 58 private power project schemes have been accorded TEC by CEA.

(c) : None of the schemes for TEC have been rejected by CEA.However, 21 private sector schemes have been returned to the concerned project authorities for want of essential inputs / clearances.

(d) : Does not arise in view of reply given for (c) above.

(e) : The policy to encourage private sector investments into the power sector was announced in 1991 and has been reviewed from time to time to streamline the process of project development. One of the main problems perceived in the development of the private sector power projects is the poor financial health of the State Electricity Boards and lack of adequate security forinvestments made, in the form of escrow cover and Letters of Credit etc. Inability of the State Electricity Boards to provide adequate payment security cover to the private sector power projects, (which is a requirement of the project developers and more particularly the financial institutions), has been one of the main reasons due to which the majority of private sector power projects could not achieve financial closures in spite of progressing well on other fronts.

Government has initiated the process of reforms with a view to improving the financial condition of the various power utilities in order to make the commercially viable. The States have accepted the need for power sector reforms. A consensus was reached in the Conference of Chief Ministers / PowerMinisters held in March, 2001 on the need to depoliticise power sector reforms and speed up their implementation and that the real challenge of reforms lay in the distribution sector. It was resolved in the conference that State Electricity Regulatory Commissions (SERC) would be made functional and tariff petitionfiled and subsidy would be given, if required, only to the extent of State Government`s capacity to pay the subsidies explicitly through budget. The Government of India has signed Memorandum of Understanding (MOU) /Memorandum of Agreement (MOA) with twenty-two States.These reflect the joint commitment of the Centre and the States to undertake reforms in a time bound manner. The State Government`s commitment in these MOUs includesetting up of the SERCs, 100% metering of the 11KV feeders, effective energyaudit, identification and elimination of power theft and attainment of commercial viability in distribution. Government of India has committed its support through additional allocation of power from Central Generating Stations and financialassistance for strengthening of sub-transmission and distribution as well as for renovation and modernization of power plants. Government have launched the Accelerated Power Development and Reforms Programme (APDRP) to assist theStates in improving their sub-transmission / distribution systems in identified circles and to provide incentive, grants linked to the bridging of the gap between cost of supply and average revenue per unit. Twelve SERCs

have passed tariff orders, which reflect a trend towards tariff rationalization. It is expected that with effective implementation of reform, commercial viability would be achieved and the confidence of investors in the power sector will improve, paving the way for more private sector participation.